Chapter 1

Auctions Everywhere

A year-old colt sired by Danzig;
a rare seventeenth-century manuscript;
an abandoned 1978 Cadillac sedan;
ten tons of freshly caught haddock;
a Florida condominium;
a prize Wisconsin dairy cow;
a billion dollars' worth of government bonds;
the paperback publishing rights to a new novel;
a fairly worn antique Caucasian scatter rug;
one hundred shares of IBM stock;
ten thousand bales of tobacco;
a portrait by Rembrandt;
two hundred slightly damaged digital watches; and
a pair of Imelda Marcos's shoes.

A striking potpourri of objects that have nothing in common except that they are likely to be exchanged at auction. In fact, while auction is not the conventional form of exchange for all objects, nearly anything that can be bought and sold has, at one time or another, been auctioned. We are, in short, surrounded by auctions of varying types and forms. Moreover, their numbers are increasing. Although auctions have been used at least since ancient Rome for the forced sale of goods and real estate, they have recently become the preferred method of many for pricing and exchanging such goods.[1] In 1987, Allsop & Company of London sold approximately $1 billion worth of commercial and residential real estate in three different two-day sales, while in the United States, auction sales of real estate have risen to more than $2 billion annually from less than $500,000 three years ago.[2] In nearly all of these cases, the auction format was freely selected by the seller.

Similarly, while thoroughbred yearlings (both colts and fillies) and broodmares have been sold through auctions for years, now stallion shares (part ownership) and seasons (breeding rights), traditionally sold privately, are being auctioned. (Top stallions are commonly syndicated among a number of buyers, normally forty or so. Each part owner has a share of the animal. Each share entitles the owner to a single "season," that is, breeding opportunity, with the stallion. Extra seasons often belong to the syndicate, depending on the number of mares the stallion is able to "cover" in a given year—actually, a five-month breeding season. Shares in a stallion can be and are often sold individually, as are seasons. I may own a share in a stallion, for example, but elect to sell this year's season. I may also be entitled to a bonus season, which I may elect to sell.) So, too, authors—who used to mail their manuscripts off to publishers praying to obtain a positive response—today hire agents who attempt to auction the manuscript to any of a dozen different publishers. And publishers themselves are resorting more and more to auctions to sell the subsidiary rights of books that they have signed.

The growth of art and antique auctions is reflected in the increased sales figures of Sotheby's, Christie's, Doyle's, Skinner's, and nearly every other leading antique-art auction house. Every year these firms acquire more retail buyers and collectors. Government agencies, too, rely increasingly on auctions to select contractors and assign franchises. Perhaps nowhere, however, has the growth of auction markets been more dramatic than in the various national and international bond and stock markets, from New York to Hong Kong. Today more than a hundred million shares of stocks are likely to be auctioned on the New York Stock Exchange on an average day—a dramatic increase from the ten million shares of a decade ago.[3]

Although these various auctions comprise a multibillion-dollar part of our economy, their impact is even greater than such figures would indicate because of the ripple effect that auctions have on nonauction markets. The recent auction of Van Gogh's *Irises* for over $50 million, for example, not only set the price for the *Irises* but also affected the price of all Van Gogh's paintings and all Postimpressionist paintings in general.[4] The price people pay in the Northeast for a pound of fresh fish on a given afternoon is determined by the price set at the New England Fish Exchange auction that morning. The interest paid by money market funds is largely determined by rates set in various U.S. Treasury bill and note auctions. Similar relationships affect the prices we pay for, among other things, gasoline, beef, cereal, wool clothing, and jewelry. In this indirect way, auctions affect the lives of all of us, including those who have never been to an auction.

Despite the enormous significance of auctions, we normally don't think of them as consequential. Most people, if they think about them at all, tend to see auctions as an old-fashioned form of economic behavior, peripheral to modern society. Some look on auctions as quaint if not exotic. Insofar as auctions are utilized in modern business, most people assume that they are meant to fulfill some strictly economic function. The fact that auctions are so prevalent and expanding their sphere of activity would seem to indicate that their role in modern society is much more complex.

Auctions are critical in modern societies because they are uniquely suited to solving the specific social problems that flourish in such societies. More precisely, auctions are social processes capable of defining and resolving inherently ambiguous situations, especially questions of value and price. They are equally capable of resolving questions of ownership, the allocation of goods, and proper classification, which may be only tangentially related to price; people may be uncertain as to whom an object belongs or ought to belong or how an item or items are to be categorized or graded. These uncertainties are often augmented by doubts and questions regarding who should be allowed to participate in resolving them and the means by which this should be done.

The claim that auctions are inherently social processes for resolving definitional ambiguities does not deny that auctions have an important economic component. It only asserts that this economic component must be placed within a broader social setting that includes, among other things, noneconomic interests of participants, social relationships among participants, social traditions, and norms.

While these factors serve primarily to augment the economic view of auctions, they also serve to question certain economic assumptions. It would appear, for example, that auctions are not exclusively or even primarily processes for matching the individual preferences of rational buyers and sellers, as assumed in most economic models; they are rather processes in which buyers and sellers—often acting as members of some group and with the interests of such a group in mind—attempt collectively to resolve questions of price and allocation in a way that will be acceptable to all parties. In most real auctions—in contrast to auction models—participants seldom have established preferences; they don't enter auctions knowing the specific prices they are willing to pay.[5] What broad expectations each person has regarding price tend to be shared with the other auction participants and grounded in collective opinions and views, which are themselves subject to modification by what occurs in the auction.

The uncertainties and ambiguities characteristic of auctions are due to more than disagreement among buyers and sellers as to the value of particular items. The problem isn't that the participants can't agree; it is that they individually and collectively literally don't know the precise value of certain things. Unlike the economic and psychological perspectives that view auctions as "revealing" market forces and constraints, the sociological perspective set forth here recognizes auctions as a means for generating these same forces and constraints. It argues that these meanings are inherently social in origin and character. Individuals appropriate them from the ongoing activities—the bidding, banter, and sales—of the auction itself. Where economists tend to see collective beliefs as nothing more than the sum of individual thoughts, most sociologists see them as outcomes of social processes that have their own dynamics and form. In the case of auctions, this social process explicitly entails the reproduction of new collective definitions of value.[6]

The abandonment of traditional guidelines for determining price and allocation, which results in auctions, is largely the result of shifts in the composition and mix of populations typical of modern society, which, in turn, tends to create new buyer-seller relationships. Buyers and sellers who have dealt with each other for years have a shared history that serves to establish not only a relatively high degree of mutual trust but also a common view on what things are worth. In contrast, strangers are much less likely to take each other's word as to what something costs, how much time and labor was expended, what it sold for last year, or other factors that affect the determination of value.

Other factors, including both the kinds of objects being auctioned and the types of auction participants, can also serve to accentuate such uncertainty. In the case of both objects and participants, the particular type of uncertainty generated will depend on the particular type of objects and participants. This diversity of objects and participants leads to a range of different practices suited to resolve the particular types of uncertainty present, and it explains why different auctions are governed by different types of rules and practices. It is specifically because auctions are social processes and as such must deal with a diversity of social relations, beliefs, and behaviors that they vary as much as they do. One need only observe several types of auctions to appreciate their variety.

As dawn breaks, thirty to forty men between twenty and sixty years old crowd into a room that measures approximately thirty by forty feet, inside a large warehouse-type building standing at the end of a long commercial wharf. In the front of the room there is a giant blackboard on which are listed six names with a nautical ring—*Nautilus, Captain Jack, Lightning Bay, Sandy Cove, Mermaid,* and *Sea Queen*—in a column running down the right side, followed by ten columns of numbers under headings reading Haddock, Scrod, Hake, Sm. Greys, Redfish, and other species. The *Nautilus, Captain Jack, Lightning Bay,* and other designations are the names of the fishing boats that have brought in their catches for this morning's auction. The species of fish listed are the categories by which the catches are auctioned.

There are approximately a dozen phones spread around the back and side walls of the room, and perhaps ten old desks scattered here and there. Some of the phones are in locked cages. There is a long counter in the front of the room behind which are three or four stools. Off to the side of the large room is a small one with more desks and additional phones. The men, mainly dressed in work clothes and rubber boots, walk in and out talking and joking with one another. About half are smoking, and some are drinking coffee from paper cups recently purchased from the coffee stand outside the main room or taken from the coffee pot in one of the side rooms. Numbers are written on the walls, papers are scattered about, and signs are posted here and there, giving the room an overall appearance of disarray.

At a little after six A.M., four men move behind the counter accompanied by a young woman with an alarm clock. In a conversational tone, one of the men states the name of one of the boats listed on the board followed by its catch weight of the first type of fish. "The *Nautilus*. Ten thousand pounds of haddock. All or part? The *Nautilus*. Ten thousand pounds."

This is followed by a similar announcement by one of the other men behind the counter giving the name of another ship and its catch weight for that type of fish. "*Captain Jack*. Five thousand pounds. Anyone? Five thousand on the *Captain Jack*?" Soon all of the ships have been named, with their catch sizes of haddock.

Concurrently, different men around the room have indicated an interest in the catch or part of the catch of haddock from each boat. In short, all of the particular species of fish presently being auctioned has been tentatively spoken for and allotted. No price, however, has yet been mentioned, and not everyone in the room has taken a position. Only after this preliminary allocation has been completed does one of the men behind the counter state a price per hundredweight for the catch of the species being sold from a particular ship. "One twenty for three thousand pounds of haddock on the *Lightning Bay*." This initial price tends to be a low price as compared with other recent sales. Since the price is low, another buyer—that is, someone different from the person to whom the lot was initially assigned—is likely to jump in with a higher bid for that particular allotment. Now different bidders join in upping the price for particular allotments, with bidders who have lost one allotment joining the bidding on others.

In actuality there is less switching about than might be expected, since with each increase the price on all allotments goes up, and those presently holding an allotment can maintain it merely by agreeing to accept the increase. If they agree to the increase they can keep their allotment even if someone else offers the same amount. If they hesitate or indicate they are no longer interested, their allotment will be given to someone else. Two minutes into this process, the young woman behind the counter—

who up to now has said nothing—yells out, "Three minutes!" This is followed by approximately another minute of further bidding, at which time all the catches of the particular species being auctioned are allocated to different bidders, normally at the same price.[7]

The same process is followed for each species of fish, with five minutes allotted to each type.[8] Throughout the process, the men banter with each other, first picking on one and then another among them, though there tend to be two or three preferred targets. To an outsider, many of the comments seem very hostile. At times, physical confrontations seem about to erupt. For the most part, however, it is all done good-naturedly. By seven o'clock another morning's bidding at the New England Fish Exchange is over. It is time to unload the fish and get it to market. It is also time for fish wholesalers up and down the coast to call in and find out what the wholesale prices are for the day. The members of the New England Fish Exchange have managed to check the strong competitive attitudes sufficiently to establish a consensus on price for the day, not only for each other but for fishmongers hundreds of miles away.

At about the same time that the trucks begin to pull away from the pier, another auction is taking place two hundred miles away in Manhattan. The setting here, however, is a twenty-by-twenty-foot cubicle in a large office building, and the only person in the room is the subsidiary rights manager of a major trade publisher. She is about to begin an auction for the paperback rights to a book that her house is planning to publish in the next week.[9] The bidders in this case are themselves spread around the city in their own offices. From the time the manager enters her office until 11:00 A.M.—the deadline set for receiving initial bids—six bids come in from six publishing houses.

Examining the bids, the manager-auctioneer calls back the lowest bidder and informs her—it could be a "him," but women significantly outnumber men in these auctions—of the highest bid entered. The bidder then has three options: to enter a higher bid than the present high bid, to drop out of the auction, or to pass for the time being with the option of dropping out or making a higher bid later. The rights manager follows this same procedure with the other bidders, moving up from the present low bidder. This may continue for a number of rounds, until there is only one bidder left or until there are only a few who have asked for more time to consider their bids. A specific hour, normally 4:00 or 5:00 P.M., is set as the moment for entering final bids and ending the auction.

Usually the highest bid wins, but in these auctions this is not necessarily the case. The subsidiary rights manager may retain the right to take a lower bid if other factors—such as royalty rates, author's preference, or publisher's imprint—are seen as making a lower bid preferable. There may also have been a "floor" bid, which allows the publisher who established the "floor" the right to top the final bid by 10 percent and thereby obtain the paperback rights.[10] Here again we see how an auction format is used to establish a price within a community of individuals in competition with one another. In this case, the item auctioned goes to only one bidder; all participants, however, had a say in determining that price.

AT approximately the same time the publishers were calling in their first bids, another auction was getting under way in Lexington, Kentucky. In a large auditorium capable of seating nearly a thousand people, close to three hundred casually but expensively dressed individuals have found their way to their reserved seats. In the surrounding halls and lobbies, another five hundred or more similarly dressed men and women mingle and socialize. Behind the auditorium, which is called the sales pavilion, over acres of immaculately groomed grounds and in front of hundreds of freshly painted stalls, hundreds of other men and women can be found inspecting horses. Wherever they may be, nearly all carry the same paperback book with similar pens dangling from their necks.

The scene described is the Keeneland Breeding Stock Sale in November, but it could just as well be any select thoroughbred horse sale held by Keeneland or Fasig-Tipton—the two major thoroughbred auction sales organizations in North America—in Lexington or Saratoga in July, September, November, or January. In a given year there are likely to be over a hundred major thoroughbred auctions around the world, many running for a number of days. Of these approximately twenty are classified as select auctions because of the high quality of the animals sold. In the United States the most famous select auctions are sponsored by Keeneland, which is located in Lexington, Kentucky, and Fasig-Tipton, which has numerous locations but holds its select auctions in Lexington and Saratoga, New York. Other major American auctions are held in California and Florida. In Europe, the major sales are held by Goffs in France and Ireland and Tattersalls in England and Ireland. Nearly all auctions are classified as either yearling, breeding stock, two-year-old, or mixed sales.

At the beginning of a major American sale, approximately a dozen similarly dressed (blue, green, or other solid-color sport jacket, matched striped tie, and gray pants) men ranging in age from early twenties to late sixties will enter the auditorium. (At the evening sales at Saratoga, held by Fasig-Tipton, and the Matchmaker Sales,[11] which are also held in the evening, they will be formally dressed.) There, an announcer and two auctioneers will take side-by-side positions on a large raised podium in the pit of the auditorium, which is surrounded by a half-oval, wood-chip covered walking ring. The others, called spotters, whose job it is to spot bids and relay them vocally to the auctioneer, will spread out in a half circle in front of the podium facing the upholstered seats. In the area behind the auditorium, where there is a large walking ring, other spotters, similarly dressed, will be taking up their positions.

Soon the melodious sound of the announcer's[12] voice is heard throughout the auditorium and back lots. "Ladies and gentlemen, would you please take your seats. The auction is scheduled to begin in a few moments." This is followed by a review of the rules contained in the beginning of the auction catalog[13]—the paperback book everyone carries—and the call to bring in the first "hip" number, which is how the horses are referred to in accordance with the numbers carried on the rear hip of each animal.[14] As the horses are brought in, the announcer describes various aspects of the horse's pedigree and any other information that may seem to enhance the animal's value.[15] This information is generally in the catalogue, and it normally takes no more than thirty seconds to review the highlights.

Once introduced, the auctioneer receives the microphone and begins his chant. "Do I hear one hundred thousand? Will you say one hundred thousand? One hundred thousand? Will you say eighty thousand? Fifty thousand? Thank you! Fifty thousand, Sixty thousand. Will you give sixty thousand? Sixty thousand, fifty thousand—" It is not uncommon for the announcer to break in if the bidding lags. Though both the auctioneer and the announcer can and do take bids from the floor, most bids are taken by one of the "spotters," located either in the auditorium or in the back areas where the horses are walked before coming into the auction ring. This process is repeated approximately every three minutes for up to twelve hours, with auctioneers, announcers, and spotters rotating and taking breaks every half hour or so. Such sales can go on for over a week, with close to two thousand horses sold at a single sale.[16]

As in the fish auctions, numerous items are sold to numerous buyers. Each horse, however, like each manuscript, is perceived as unique—as revealed by the wide range of prices paid for horses with nearly identical bloodlines. The established rituals of dress and behavior as well as the sense of tradition that pervades these auctions, however, underscores their communal character, which matches that of fish and subsidiary rights auctions. It is the rights and considerations of the community that make it necessary for these auctions to go on for twelve hours at a time, two weeks at a stretch. Only in this way can the members of the community congregate and express their collective judgments. The life cycle of a horse requires that certain decisions be made at specific times. Many people feel that they have a right to participate in these decisions, and the intensive gatherings characteristic of thoroughbred auctions are the result.

A few weeks after the November thoroughbred sales in Lexington have ended, the peculiar rhythms of an auction chant can again be heard around Lexington. The setting, however, is quite different. The chants come from five different warehouses. There are, however, no crowds, no glamour. We find instead warehouses filled with rows of tobacco through which two lines of men march. One line is headed by the warehouse owner, who yells out a price as he comes to each new stack, a four-by-four-by-three-foot cube weighing approximately seven hundred pounds, followed by an auctioneer who takes up the price and incorporates it into a chant, followed by others who are busy marking the piles as they pass.[17] Across from them another line of about eight men moves in parallel sequence with the men in this line, nodding and making vocal and physical gestures in response to the auctioneer's chant.

Although it is difficult for an outsider to understand what all the grunts and nods mean, the two lines of men seem to know. They should. For six months a year they travel together from

Florida to Virginia buying tobacco in one auction after another. By means of their grunts and nods they set the price of tobacco and determine how the tobacco is to be divided among the major tobacco houses for which they work. These communities are so tightly integrated, in fact, it is often difficult to determine when and if the buyers are actually bidding against each other. What is clear is that the price determined is a collective price.

MEANWHILE, one hundred miles north of New York City, horses of a different sort are being auctioned off in a setting and a manner very different from that common to Lexington or Saratoga. Outside Luther's Commodity Auction Barn, situated in a small, rural town, an eight-year-old mare is being walked around as Delos ("Los") Luther II exhorts those present to purchase the poor animal if they don't want her to end up at the cannery. There is no concern with frills here. Today's auction started six hours earlier with closeout items from a number of local stores. From noon to six, everything has been sold from horse liniment to rubber buckets. In most cases there were enough of each item to go around. The normal practice for selling such multiple items is to offer one item and run the bid as high as it will go; after the first item is sold, the auctioneer offers the rest at the same price to whomever wants one. Throughout the whole process, Los is apt to switch from chant to story to advice and back again, with as much humor thrown in as he can muster.

Though their style is similar, Luther's horse auctions differ considerably from his normal Tuesday auction, which features eggs, chickens, ducks, rabbits, and, in the evening, sheep and cattle. Tuesday auctions aim more at a relatively small number of professional buyers hoping to obtain merchandise for their own business. Those in attendance tend to be auction regulars who know each other and constitute a community not unlike that found at the less-select thoroughbred auctions. Los's horse auctions, however, draw a much more heterogeneous group of neighbors and strangers. This explains in part Los's use of humor and stories. For his auctions to be successful, both buyers and sellers must feel that the prices established reflect the views of the community. For this to be true, there must *be* a community of some sort. Creating this community, even if only for a few hours, is perhaps Los's major job.

In New York City, in the borough of Queens, another type of commodity auction is being attended by a large group of regulars and an equal number of passersby. The tone and atmosphere is quite similar to Luther's Tuesday auction and generates many of the same feelings, though there is also something more reminiscent of his horse auctions. This is perhaps not surprising, given the mix of buyers. Here animals are not being auctioned but used automobiles. Like the local commodity auction, auto auctions tend to be held outdoors, though the setting is normally an open parking lot behind a garage or next to a junkyard. The sites vary depending on whether it is a police or marshal auction of impounded cars, an independent auction of cars repossessed by banks, or a wholesale auction to which only dealers are admitted. (Police auctions are run under the auspices of the police department, though they will use the services of an independent auctioneer. All the cars auctioned have been impounded for one reason or another. Marshal auctions are also run by an independent auctioneer, but the cars have been repossessed or impounded by city marshals. In these auctions the garage and towing companies that work with the marshals may also put up for sale other cars to which they have title. What are called "independent" auctions tend to be run under the auspices of an established auction firm, with the automobiles being primarily repossessed cars, though such firms will also auction cars for private individuals. Wholesale auctions also tend to be run under the auspices of an established auction firm, with buyers and sellers limited to persons with resale tax numbers.) The ethnically mixed crowd, the bullhorn and the banter, the work crews unlocking, starting, and locking cars tend to be the same. It is this mix of four to twenty distinct, ethnically homogeneous, close-knit groups of three to five dealers—groups that know each other from previous auctions—coupled with a half dozen to two dozen individual buyers that gives these auctions their particular ambience of "business as usual" and "show and tell." There is no question about the centrality of the community in these auctions; the only question is which community. The community of dealers or that which includes individual buyers who need first to be integrated into the community.

In any given week there are also likely to be over one hundred scheduled country-style art and antique auctions within a hundred miles of New York and another thousand throughout the rest of the United States. In New York City, Christie's, Sotheby's, and other art and antique houses may hold up to a dozen separate auctions. Here is where one finds everything from the old sofa, antique chair, handmade dollhouse, gilded mirror, Victorian painting, Civil War musket, and duck decoy to the first edition and old masterpiece. It is where people come to browse and examine items at formally scheduled previews before sales, where the occasional buyers try to pick out the dealers, where the dealers are looking out for the collectors, and the auctioneer is keeping his eye on all of them. It is a place where people agree to meet before going out to lunch, or to while away an afternoon instead of going to the movies. It is the home of the bidding paddle, the $2 vase and the $1 million chair.

Although there are many similarities in the types of items auctioned, Middletown's Thursday night Moose Lodge auction differs radically from Sotheby's in the normal quality of the items. Much the same can be said about the resources and knowledgeability of the participants. Compared to nearly all of the other auctions so far described, these are the public auctions that nonprofessional buyers are most apt to frequent. They tend, consequently, to be the most familiar in the public eye. More importantly, however, is the fact that the preponderance of nonprofessional buyers makes the communal character of these auctions more tenuous which in turn requires special efforts on the part of the auctioneer. This is most obviously the case in the less select auctions, in which the first job of a successful auctioneer is to create a sense of community, since a sense of community is necessary if the auction process is to be seen as legitimate. The techniques used may differ, but establishing such a sense of community and legitimacy is also a major task for Sotheby's and Christie's.

Perhaps the only type of auction in which generating and maintaining a sense of community is more important than in art and antique auctions is the charity auction—be it a summer tent auction of donated goods sponsored by the local church or grange or a black-tie Junior League auction at which everything from a trip around the world to a back massage may be sold. In some charity auctions, such as those held on the Lower East Side of New York by Orthodox Jewish synagogues that auction off religious "honors" to congregants,[18] a fairly well established community already exists. In other cases, the potential buyers are almost complete strangers to each other. In all cases, however, the auction format is seen as a means for putting social pressure on participants to give more than they might otherwise give. Community is used here not to legitimate the value of the objects auctioned so much as the amount a buyer is willing to spend. The social process, however, is the same.

THESE brief vignettes of different auction milieus and practices convey not only the variety of auctions but the extent to which they are grounded in specific social contexts, which shape the activities and outcomes of each auction. Auctions are not unique in this respect; shopping at a flea market or a department store also occurs within a social context. Auctions differ from other types of economic exchange—fixed-price and private treaty exchanges[19]—not by being more social but by being more explicitly concerned with the production and reproduction of the values, views, and routines on which any community depends. Where most other forms of economic life occur within established communities and in terms of accepted values, auctions require that such communities and values be continually reproduced.[20] It is because auctions are more manifestly concerned with generating and maintaining social relations and values that they provide us with a means for understanding the role such relationships and values play in what might appear to be purely economic transactions. As a result, auctions offer us a better opportunity than do other forms of economic exchange to examine how changes occurring within a community affect the ability of such a community to maintain itself.

The fixed-price method of exchange is the one most familiar to us. Prices are set by producers and sellers; buyers have the option either to pay the price or refrain from making the purchase. Obviously, if there are no buyers, the seller will probably be forced to make adjustments in his price. Such adjustments, however, are done independently by sellers rather than as part of the direct negotiations between them and buyers. Nevertheless, sellers in a fixed-price system are subject to a wide range of social expectations and constraints that establish not only legitimate costs (expenses for labor, transportation, investment recovery, and advertising) but also define supply, demand, and acceptable profits. Obviously there is a good deal of flexibility in prices set in this manner, but most potential buyers assume that prices so set conform to fair-marketing principles, which are, in turn, subject to review and justification by some sort of business community. Price, in short, is assumed to be governed by a set of agreed-upon communal principles that determine value.

The situation in private treaty exchanges is quite different. In these situations, buyer and seller actively negotiate the price between them. Most people recognize this system as bargaining. The seller may offer an item at one price; the buyer may counter with another, lower price, until a mutually agreed upon price is established. What is of particular interest in these situations is the fact that the prices offered and sought normally constitute a secondary part of the bargaining process. The talk isn't primarily over price per se. Whether it be between a vendor in a flea market and a tourist, or a garment manufacturer and a regular buyer, the real controversy is over the various qualities of the item for sale. Each party attempts to focus on those qualities that in terms of assumed shared criteria either increase or decrease the value of the item.

In order for such bargaining to occur, in fact, there must be some body of shared judgments similar to those that govern fixed-price exchanges. In the case of private treaty exchanges, however, there is disagreement, or at least ambiguity, regarding the applicability of these judgments to the specific objects being discussed. Price is discussed, but it is discussed in terms of specific qualities attributed to the object in question and various assumed, shared principles of evaluation.

> Look at it. It's real leather. You know what real leather is worth. Five dollars would be cheap for a plastic bag of that size. It's worth at least twenty dollars. The leather alone is worth fifteen dollars.
>
> That leather isn't worth any more than plastic. It's uneven and badly cured. You got them for a song. I'll probably get stuck with them, but I'll go up to ten dollars. (And so on.)

Buyers and sellers in private treaty exchanges may not exhibit the same degree of consensus regarding the value of particular items as in fixed-price systems, but they normally share certain general criteria and assumptions of evaluation, such as those related to quality of materials, workmanship, and availability. It is, however, specifically such general principles that are undermined and weakened by the social changes typical of modern society. Space-age technology challenges accepted views bearing on workmanship and materials. The breakdown of traditional groups undermines traditional forms of classification. Groups with different tastes acquire resources with which they can give financial support to their preferences. When this occurs, there may not be sufficient grounds on which negotiations can get started. Auctions have proved to be a successful mechanism for dealing with such situations.[21]

Auctions differ from both fixed-price and private treaty systems in that principles and criteria of evaluation cease to be prerequisites in establishing prices. In auctions, it is not principles of evaluation—a certain quality, scarcity, size, or other trait—that determine price, but rather price that is used to determine value. Rather than using consensual principles of what constitutes objective worth to establish price and ownership, auctions, through competitive bidding, seek to establish standards of worth through price.

While both the fixed-price and private treaty forms of pricing and exchange allow for price adjustments in response to market conditions, they lack the public competition and social interaction among buyers and sellers in which price is determined by what is offered and accepted. The term *auction* is used specifically to refer to such price-governed, public, competitive transactions. What is crucial about these situations is the dominance given to price per se: Price determines value. (This is clearly at odds with conventional economic thinking, which sees all values as determined by price. Unfortunately, the debate over the role of principles of evaluation lies at the heart of the debate between sociology and economics and cannot be resolved here, though it will remain a subtheme of the entire book.)

While price determines value in all auctions, it does so in different ways due to the fact that auctions differ in the manner in which bids are made and accepted. Why this should be so is a question we shall examine shortly. It is important first, however, to have a general idea of some of the variations.

Auction bidding can be categorized in terms of two major features: (1) the form in which bids are made, and (2) the sequence rules for bidding. More specifically, bids may be made in written, visual, or oral form. In each case, such bids may be made privately or publicly. Sequencing, in turn, tends to be governed either by a principle of bid increases or bid decreases; there are also auctions, however, where bids are made simultaneously.

Auctions that utilize written bids are commonly referred to as sealed-bid auctions or simply competitive bidding. Sequencing